BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Joint Application of Wisconsin Electric Power Company and Wisconsin Gas, LLC, both d/b/a We Energies, to Conduct a Biennial Review of Costs and Rates Docket 05-UR-106

DIRECT TESTIMONY OF MICHAEL J. VICKERMAN

ON BEHALF OF RENEW WISCONSIN

Q. Please state your name, occupation, and address.

A. My name is Michael J. Vickerman. I am the Program and Policy Director of RENEW Wisconsin (RENEW). RENEW is a membership organization founded in 1991 that leads and represents businesses, organizations, and individuals who seek more clean renewable energy in Wisconsin. RENEW is located at 222 S. Hamilton St., Madison WI 53703.

Q. Please describe your professional qualifications.

A. Under my direction RENEW has advocated, and mobilized political support for, several pro-renewable policies adopted in the last 13 years, including the adoption in 2009 of uniform permitting standards for wind projects (SB 185) as well as the establishment in 1999 of Wisconsin's Renewable Portfolio Standard and a public benefits fund dedicated in part to renewable energy sources. I have been involved with many issues relating to renewable electricity, ranging from broad policy

mandates and customer-driven green pricing programs to such technical issues as renewable energy credit trading and windpower permitting ordinances. I was RENEW's representative on the statewide Task Force on Energy Efficiency and Renewables, which Governor Doyle convened in September 2003, and served as co-chair of the Renewables Workgroup. In that capacity I developed and negotiated several renewable energy policy recommendations for consideration by the full Task Force. These were: (1) a successor Renewable Portfolio Standard (RPS) that would result in a 10% renewable energy content by 2015 and (2) a State of Wisconsin commitment to source 20% of the electricity it uses from renewable energy sources. Both recommendations were included in a consensus package of proposed policy changes that were subsequently incorporated into a bill (SB 459) that passed the Legislature and was signed into law in March 2006 (2005 Act 141)

RENEW Wisconsin also spearheaded the Wind for Wisconsin coalition, whose campaign to establish uniform siting standards for wind energy systems resulted in the passage of 2009 Act 40. I am a member of the Wind Siting Council, a stakeholder body convened by the Public Service Commission ("Commission") to provide input and advice to the agency in shaping a statewide wind siting rule as required under 2009 Act 40.

I have testified in several Commission proceedings in recent years, including We Energies' applications to build its Blue Sky Green Field wind energy installation (6630-CE-294), its Glacier Hills wind energy installation (6630-CE-302), and its Rothschild Biomass generation installation (6630-CE-305); Northern

States Power-Wisconsin's application to convert its Bay Front 5 generator into a dedicated biomass unit (4220-CE-169); Wisconsin Power & Light's application to build the Nelson Dewey 3 coal-fired power station (6680-CE-170) and its Cedar Ridge wind energy installation (6680-CE-171); Forward Wind Energy's application to build a 200 MW wind energy installation (9300-CE-100); Wisconsin Public Service Corporation's 2005, 2006, 2008, and 2010 rate cases (6690-UR-117, 6690-UR-118, 6690-UR-119, and 6690-UR-120); Wisconsin Power & Light's 2005, 2006 and 2008 rate cases (6680-UR-114, 6680-UR-115 and 6680-UR-116); We Energies' 2005 and 2007 rate cases (05-UR-102 and 05-UR-103); and Madison Gas & Electric's 2010 rate case (3270-UR-117).

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present information on the net metering tariff (CGS-8) proposed by Wisconsin Electric Power Company (WEPCO) and to address WEPCO's failure to include an ordered renewable energy program in its electric revenue requirement in this case. As to the first issue, my testimony will compare the terms of service specified in We Energies' proposal with net metering service provided by other utilities regulated by the utilities. My testimony identifies specific elements of the proposed CGS-8 tariff that, if approved, would unreasonably discriminate against WEPCO customer-generators compared to those located in the service territory of other investor owned utilities. Additionally, I will testify about what the avoided cost is for WEPCO for net positive energy produced by net metering customers and supplied to WEPCO, that is, electricity generation that exceeds the customer's usage over the netting

period (in this case, annually). I will also present the "best practices" in the area of net metering and offer suggestions for aligning WEPCO's proposal with a model statewide policy aimed at establishing a consistent set of rules and terms for prospective customer-generators.

Q. What is RENEW's interest in this proceeding?

A. Net metering has been a high priority for our organization since our founding in 1991 and our intervention that year in Advance Plan 6, in which we advocated for requiring all regulated utilities to provide net metering service to its customers. We see net metering as an effective mechanism for leveraging cost-effective investments in small-scale renewable, providing increased generation of renewable energy as well as distribution and capacity values without a cost to ratepayers. To do this in the most efficient and non-discriminatory manner, each of the individual investor owned utilities' net metering offerings should be as similar as possible.

RENEW is a member of the Grow Solar Wisconsin team, one of 22 teams in the United States participating in the Rooftop Solar Challenge organized and supported by the U.S. Department of Energy (DOE). The Challenge is part of the DOE's SunShot Initiative, which seeks to make solar electricity cost-competitive without subsidies by the end of the decade. Net metering policy is a critically important aspect of Wisconsin's solar energy policy, since customers, not utilities, have driven the vast majority of grid-tied solar electric installations in this state.

The criteria determining the model outlined in this testimony emerged from a 2011 report titled "***Freeing the Grid: Best Practices in State Net Metering***

Policies and Interconnection Procedures," prepared for the National Renewable Energy Laboratory. The authors of that report also published a Wisconsin-specific analysis of net metering policies in October 2011. Though some of the net metering recommendations in ***Freeing the Grid*** are broad in nature and may require legislation, there are several issues that can be appropriately addressed in utility rate proceedings.

Q. What percentage of net metered generation do you think will be supplied by solar electric facilities for new net metering customers under proposed CGS-8?

A. As the cost of solar modules and balance-of-system equipment continues to decline, the economic rationale for adding solar to one's house, business or farm in Wisconsin will continue to improve. Another factor in solar energy's favor is that its generation profile relative to seasonal load patterns fits better with a two-part net metering rate structure than wind does. For those reasons I believe solar energy will constitute at least 75% of new net metered energy in Wisconsin and could surpass 90%. Therefore, it makes sense to analyze net metering practices with the assumption that solar energy will be the chief beneficiary of a rate structure based on "best practices," and that WEPCO will derive benefits from net metering customers based on the value of solar PV generation, including its generation profile that corresponds with peak energy demand hours and months.

Q. Has the Commission ever adopted a net metering policy applicable to all regulated utilities?

A. Yes. In its Advance Plan 6 Order (05-EP-6) issued 20 years ago, the Commission required regulated utilities to offer net metering for renewable energy systems up to 20 kilowatts. The September 1992 order states that "the utilities shall reestablish net energy billing in their next rate cases, where it is not offered now, for customer-owned renewable energy resource generators under 20 kW." (1992 Order, Conclusion of Law 4.4 at P. 115). In setting forth this requirement, the Commission noted that "[n]et energy billing will tend to promote small-scale provide any guidance on terms and conditions applicable to individual utility offerings."

Q. Based on previous Commission rulings in individual utility rate cases, is WEPCO's proposed net metering service consistent, reasonable and non-discriminatory?

A. No. Three of Wisconsin's five investor-owned utilities have seen significant revisions in their net metering service since 2010. These utilities are Wisconsin Public Service (WPS), Northern States Power-Wisconsin (NSPW), and Madison Gas & Electric (MGE). In those rate cases, the Commission has uniformly ordered the following for net metering tariffs:

(1) the establishment of a two-part rate structure that fully credits generation as offsetting consumption over the netting period and then credits the customer for the energy generated in excess of the customer's consumption at the utilities' avoided cost;

(2) an increase in individual system size from 20 kilowatts (kW) to 100 kW; and

(3) changes in the length of time for netting generation with consumption (i.e., the period of time that a customer can carry a credit of positive energy to be applied to future use).

In its application, WEPCO proposes to close its CGS-2 and CGS-6 service to new customers and to create a new net metering tariff, CGS-8 for new customers. The prior CGS-2 and CGS-6 categories allowed systems up to 20kW and credited positive generation (that is, generation above the customer's use) at the retail rate. As proposed by WEPCO, CGS-8 will be capped at a maximum 20 kW size of generating system and will not give any credit or payment to the customer for positive generation. This is inconsistent with the Commission's practice in the recent WPS, MGE and NSPW cases.

Q. Are there elements of CGS-8 that you support?

A. Yes, there is one. We support the decision by WEPCO to establish a netting period of one year; that is, to true up generation and consumption on an annual basis. As WEPCO witness Eric Rogers noted, output from renewable generation facilities can vary significantly depending on the season. In the case of solar generation, output peaks strongly in the summer, in close correspondence with utility peak loads, and falls off in the winter. Wind generation also exhibits a strong seasonal profile within the calendar year. Both NSPW and MGE have incorporated a 12-month netting period in their service. If the Commission accepts this portion of WEPCO's proposal, WPS, which trues up generation and consumption on a monthly basis, will be the sole outlier on this issue. WEPCO's preference of using a common reset date of May 1st is reasonable.

Q. Are there elements of CGS-8 that you oppose?

A. Yes, there are two, which are the same two elements that conflict with the Commission's recent rate cases. First, CGS-8 as proposed would cap maximum system size at 20 kW, instead of 100 kW that was included in the net generation tariffs for MGE, WPS and NSPW. Second, WEPCO proposes to confiscate any surplus kilowatt-hours (kWh) accrued at the end of the billing cycle, and start the next billing cycle at zero. As stated by WEPCO witness Rogers, come May 1st, the value of any accrued kWh not offsetting load is "lost to the customer," which is just another way of saying that WEPCO would take that energy, sell it to other customers, and give the customer-generator nothing for it. This proposal stands in stark contrast to the net metering service in place at MGE, NSPW and WPS. It is also inconsistent with the requirements of federal law that WEPCO buy energy from small renewable energy generators at WEPCO's avoided cost--- which is not zero.

WEPCO's proposed CGS-8 terms would put new customer-generators in its territory at a discriminatory disadvantage to those in the territories of other investor-owned utilities, where the utilities credit net generation customers at the retail rate up to their consumption, and purchase any kWh produced in the billing period in excess of consumption (net positive generation) at rates that are intended to represent the utilities' avoided cost.

With respect to limiting system size to 20 kW, WEPCO offers no rationale for its proposal. Nor does WEPCO identify any reason that net generation customers in its territory should be treated differently than those in the territory of

MGE, WPS and NSP, which went through rate cases in 2010 and 2011 and have maximum system size of 100 kW.

Q. What effect would limiting system size to 20 kW have on WEPCO's stated desire to minimize excess production of renewable kWh, which WEPCO believes is an "abuse" of the net metering tariff?

A. The short answer is none. There is a more effective way of limiting instances of overproduction, and that is the two-part structure that the Commission has ordered in the MGE, WPS and NSPW rate cases. In the two-part structure, any generation above the customer's usage is purchased only at the utility's avoided cost, consistent with federal law.

Q. WEPCO might argue that net metering customers are cross-subsidized by other ratepayers and that limiting the service to a maximum of 20 kW minimizes cross-subsidization. Do you agree with that view?

A. I do not. It is unarguably true that net-metered self-generation results in a net reduction of kWh sold to the customer, and therefore the net metering customers are not paying as much for the energy component of its electricity bills as they would if they did not generate their own energy. However, this is not distinguishable from customers that implement conservation through demand-side measures or who decide not to live in Wisconsin, and therefore not use electricity here, during the winter. But buying less energy does not mean that the customer is being "subsidized." From the standpoint of nonparticipating customers, it makes no difference if a customer reduces his utility bills by disconnecting the basement freezer, replacing incandescent bulbs with compact fluorescent lighting,

generating electricity from a rooftop solar system, or by visiting his parents in Boca Raton for a month. For a reduction in energy consumed from WEPCO to be a subsidy, significant amounts of the non-energy costs would have to be included in the energy component of rates, rather than the customer charges. WEPCO has not shown that this is the case.

Q. Regarding WEPCO's proposal not to credit so-called surplus generation, do any other investor-owned utilities have a policy of not crediting surplus generation at the end of the billing cycle?

A. Not in Wisconsin, and probably not in any state that implements net metering. As mentioned earlier, while their true-up methodologies differ, MGE, NSPW and WPS credit surplus generation at what is supposed to represent their avoided cost. Alliant's net metering service, which has not been modified in recent years, credits all net generation at the retail rate, which may or may not represent the avoided cost. In all cases, every other utility credits net metering generation in excess of the customer's usage over the billing cycle. There is no legal basis for WEPCO to confiscate net positive energy generated by its customers and sell it to other customers, without paying the generating customer for that energy.

Q. Why does RENEW oppose WEPCO's proposal not to credit surplus generation at all?

A. Even if one accepts WEPCO's premise that net metering customers that generate more than they use are "taking advantage of" the system, it is not necessary to confiscate kWh produced by a net metering customer to more closely align system output and the customer's load. The practice of providing a credit to the

customer based on WEPCO's avoided cost, just as WEPCO is required to do under federal law for any Qualifying Facility, avoids any incentive for small generating system owners to opt for net generation instead of other options for sale of their energy to WEPCO.

Second, the proposal would penalize solar system owners that may "overproduce" as a result of an unusually extended sunny stretch of weather beyond the control of the system owner. As an example, the output from my solar electric system in Madison this year is running 16% higher than the corresponding period last year. Even a system sized to meet 90% of a customer-generator's average annual load may "overproduce" in a year as remarkably sunny as 2012 has been. This policy would have the perverse effect of penalizing responsible system owners who sized the installation to leave a modest cushion to account for a normal range of system output variability.

Third, the proposal would penalize solar system owners who also reduce their intake of grid-supplied electricity after the solar system was installed. These reductions can occur as a result of deliberate actions (e.g., efficiency upgrades to appliances and lighting fixtures) and unavoidable changes in life circumstances (e.g., children leaving the house for college). Confiscating surplus generation actually creates a perverse incentive to consume more energy than necessary because the savings that would otherwise occur might not necessarily happen in situations where consumption and output are evenly matched.

Fourth, and most compelling, a policy of not crediting surplus generation is problematic, and probably unlawful, because the energy clearly has a value—or

avoided cost to WEPCO-- greater than zero. All electricity sold to WEPCO under a parallel generation tariff is supposed to be compensated at the utility's avoided cost, whether the utility needs that energy during its production or not. The utility's avoided cost is a function of factors such as when the energy is produced, the voltage it is produced at, the type of generation used to produce the energy, and where it enters the system (and therefore how much is lost). Therefore, not all parallel generation is necessarily purchased by WEPCO at the same rates, but none of it is purchased at zero cost to WEPCO. Functionally, a net metering customer is the same as a renewable energy parallel generator once the customer's own energy use has been offset by his or her generation. There is no lawful basis for WEPCO to get that energy without paying for it, nor any lawful basis for it to refuse to purchase it at WEPCO's avoided cost.

Notably, WEPCO has not placed a limit on customer-generators using the CGS-1 rate; all energy production under that tariff is credited at the locational marginal price (LMP) for WEC South. As indicated in WEPCO's PROMOD forecasts of production costs in 2013, these prices will be in the double-digit range per MWH. In 2013 every parallel generator in WEPCO territory under CGS-1 will receive payment within or near that range of every kWh produced, whether the generator is renewable or not. Denying at least equal treatment to net metering customers when the energy they export to the grid does not offset consumption is, in our view, unreasonable, discriminatory and confiscatory.

Q. In your opinion, does crediting generation at the day-ahead LMP price constitute WEPCO's avoided cost for renewable energy?

A. In our view, the use of LMP pricing is the minimum of what could ever be considered the avoided cost. That is, it is the value of only the energy with no accounting for the fact that parallel generation also avoids some transmission line losses, and provides some capacity value. Moreover, because costs and net generation is renewable energy and WEPCO could obtain the renewable attributes and either resell or use those attributes to comply with regulatory requirements, using the LMP fails to account for the fact that WEPCO pays an amount above the LMP for renewable energy. Moreover, as shown by the history of cost overruns at the Elm Road plant and WEPCO's failure to correctly project the relative costs of natural gas and coal when deciding to build new, large, generation sources, there is a cost in the form of risk that comes with large capital investments when WEPCO generates its own energy. Purchasing energy from net generation customers' native resources does not require capital investments by WEPCO, comes with minimal risk, and therefore provides an avoided risk cost savings to WEPCO. These cost savings to WEPCO are part of WEPCO's avoided costs, but are not reflected in the LMP price of energy.

Q. How should the Commission determine the price that WEPCO should pay for net metered energy that is not used to offset the customer's usage?

A. The Commission should determine WEPCO's avoided cost for renewable energy. WEPCO is subject to Act 141 provisions requiring utilities to increase supplies of renewable energy as a percentage of the total electricity sold to their customers.

The provisions constitute the state's Renewable Energy Standard (RES) applicable to utilities. Based on current resources, WEPCO will need to acquire additional sources of renewable energy to meet the higher RES percentage taking effect in 2015. In 2010, WEPCO received Commission approval to build a 50 MW biomass energy plant, which the utility contended was needed to ensure compliance with state's RES. In approving the plant, Commission determined that the levelized cost of energy from this plant should be about $0.115/kWh. The Commission therefore determined that cost to be the fair and reasonable cost for meeting Wisconsin's RES. Electricity generated from customer-sited solar electric systems could similarly supply a portion of what WEPCO needs to meet its future renewable energy requirements, as long as the utility acquires the renewable energy attributes associated with the generation. We note that renewable energy credits do not transfer to the utility under a standard net metering tariff. Therefore, utility acquisition of the customer-generator's renewable energy credits would have to be facilitated through specific language in the tariff or through a separate purchase agreement. By deriving a portion of its required renewable energy supplies from net metered generation, WEPCO also likely reduces overall costs to ratepayers because the company does not have to bear any of the capital costs or risk associated with the net metered generation added to its system as compared to building the 50 MW biomass plant.

Another way to determine WEPCO's avoided cost of renewable energy is the cost that WEPCO pays to acquire renewable energy to both comply with the RPS and to provide energy sold through the utility's voluntary renewable energy

program. According to WEPCO's analysis in support of its Energy for Tomorrow (EFT) program rates, shown in Ex. WEPCO/WG-Rogers-10 Schedule 6, the cost of renewable energy to WEPCO is presently about 10 cents/kWh. Electricity generated from customer-sited solar electric systems could provide the same renewable attributes, allowing it to be used for either RES compliance or used to supply a portion of WEPCO's EFT program. Therefore, the $0.10 kWh it costs WEPCO for renewable energy represents WEPCO's avoided cost when renewable energy is produced by net metering customers.

Therefore, either of these two prices—the levelized price of energy from the Domtar biomass plant or the average cost of renewable energy to supply WEPCO's EFT program— are the best evidence available to the Commission of the avoided cost to WEPCO of customer-generated renewable energy. Even these, however, undervalue distributed renewable generation provided by net metering customers because they do not account for the reduced line losses and the decreased transmission costs associated with small, distributed generation.

No matter what, WEPCO's avoided costs is certainly not zero, which is effectively what WEPCO contends when it proposes to pay net generation customers nothing for their generation in excess of their usage.

Q. What other recommendations do you have regarding WEPCO's net metering service?

A. If the Commission does not determine the value of net generation in excess of usage based on WEPCO's avoided cost for renewable energy, but instead based only on the avoided cost of any energy source, we would like the insertion of a

sentence in the tariff sheet that states: "Customer shall retain all renewable credits and other attributes associated with the energy provided to the Company pursuant to this tariff." The purpose of this language is to disclose to the customer that, unless WEPCO is compensating them for the higher value of renewable energy, the customer retains possession of all renewable credits and attributes associated with the renewable energy provided to the utility. This language already appears in NSPW's net metering tariff sheet. In its current rate case, MGE proposes to insert similar language in its net metering tariff sheet.

Q. Does solar energy through net metering provide benefits to the utility system as a whole?

A. It most surely does. Sunshine is a driver of utility summer peaks. Summer peaks in Wisconsin occur during daytime hours, and during months when the sun's intensity is greatest. These are, not surprisingly, also the months when solar electric systems are either contributing electricity to the grid or offsetting consumption on-site. Even during a summer peak situation in the late afternoon, solar electric systems are producing electricity. In all but one year between 2005 and 2011, WEPCO's non-coincident peak demand occurred in July or August. Correspondingly, July and August are among the most productive months for a typical solar electric system over a calendar year. In other words, solar electric systems contribute to system reliability during those summer hours when grid-supplied energy is at its most expensive.

Because solar generation is driven by sunshine, utilities can rely on solar systems not to produce energy at night. This makes solar a more predictable

energy resource than wind in terms of hourly output. The predictability of solar relative to wind can be of value to a utility seeking to integrate additional supplies of solar energy in its resource mix.

Q. Do you have anything to add on the subject of solar energy in Wisconsin?

A. Yes. Customers have been the principal drivers of solar electric systems installed in Wisconsin. From 2006 to 2010, utilities like WEPCO accommodated growing customer interest in solar by offering special buyback rates for qualifying installations, and in some cases, up-front incentives for nonprofit owners. By February 2012, however, investor-owned utilities had discontinued all their solar-specific incentives. This leaves net metering as one of the only viable mechanism in Wisconsin for advancing solar energy, a preferred energy resource under the state's energy policy hierarchy (Wis. Stats. § 1.12(4)). The net metering services now offered by NSPW and MGE, which the Commission approved in their most recent rate cases, should be used as the model.

Q. What are your specific recommendations for WEPCO's net metering service?

A. We ask the Commission to require the following changes to WEPCO's net metering service:

1. Increase the maximum renewable energy system from 20 kW to 100 kW;
2. Compensate generation not offsetting consumption at the utility's avoided cost; and
3. Unless avoided cost is based on the levelized cost of renewable energy, insert a sentence informing customers that they retain possession of all renewable energy

credits and related attributes associated with the energy they provide to the utility through net metering.

Q. What other issues do you wish to raise in this proceeding?

A. WEPCO's application does not contain any funding to continue its Renewable Energy Development program. In its Power the future filing in early 2002, WEPCO made commitments to develop renewable energy markets and resources. Among those commitments was that, subject to regulatory approval and cost recovery, WEPCO would spend an incremental $6 million/year for 10 years on emerging renewable energy technologies and activities, to encourage the advancement of renewable energy resources and the development of both utility-owned and customer-owned renewable energy generation. The Commission noted this program in its discussion of the application's compliance with Wis. Stat. § 1.12(4) and its approval of its Power the Future program. *See CPCN for Elm Road Generating Station*, Docket 5-CE-130, Order at p. 18 (Wis.Pub.Serv.Commn. Nov. 10, 2003), (PSC REF # 86450). In its 2005, 2007 and 2009 rate cases, WEPCO requested approval from the Commission to fully fund this commitment. In all three proceedings, the Commission approved the requests.

A succinct history of this program can be found on pages 2 and 3 of PSC REF# 115981, which was filed in conjunction with WE's 2009 rate case (though it is not filed under the 05-UR-104 docket). The relevant portion of that document is submitted as Ex.-RENEW-Vickerman-1. In the cover letter for that filing, WEPCO contends that its program is "an 'ordered program' under Wis. Stat. §196.374(1)(i)," but nevertheless sought approval, in the alternative, "for the

avoidance of doubt," pursuant to that filing, WEPCO submitted its program is "a voluntary program under Wis. Stat. §196.374(2)(b)(2) and PSC 137.08." I note that WEPCO has filed a letter with the Commission, dated November 23, 2011, that contradicts its prior filings with the Commission, by requesting authorization pursuant to Wis. Admin. Code § PSC 137.08(5) to discontinue its renewable energy program as if that program was a voluntary program (PSC REF #156281). That request is designated as Ex.-RENEW-Vickerman-2. That request was never granted.

Notwithstanding WEPCO's vacillating position on whether the program is voluntary or ordered, it must be one or the other. Either way, it cannot be discontinued except by order of the Commission. No such order has occurred.

Despite a lack of Commission approval to do so, WEPCO unilaterally suspended the program in May 2011, barely more than halfway into its 10-year commitment. At the time it shut down the program, WEPCO had spent $33 of the $60 million originally committed to this program in 2002. WEPCO's unilateral decision to walk away from its commitments, without the Commission's authorization, and in breach of its legal and contractual obligations, leaves a shortfall of $27 million.

WEPCO's rate application provides no accounting of this financial obligation. Indeed, the program is not referenced in WEPCO's rate application in this docket. However, because the program is required unless and until the Commission authorizes WEPCO to discontinue the program, the cost of $6 million per year is required to be included in WEPCO's revenue requirement for

test years 2013 and 2014. Therefore, WEPCO's pending application to adjust rates is incomplete without an accounting of program expenses, activities and results.

Q. WEPCO launched its Renewable Energy Development program in 2002. Why did the utility wait until 2006 to begin spending $6 million/year on this program?

A. As a condition of its WICOR merger, the Commission imposed a five-year rate freeze on the utility that expired on January 1, 2006.

Q. What elements of WEPCO's Renewable Energy Development program do you consider to be particularly successful?

A. Several of WEPCO's customer incentives and tariffs were unique in the way they complemented Focus on Energy's renewable energy program. For example, WEPCO was the first utility to: (1) offer a solar energy-specific buyback rate; (2) increase the net energy billing capacity ceiling for small wind systems generators to 100 kW; and (3) support renewable energy-specific conferences and events such as Solar Decade held in Milwaukee. Perhaps the most innovative element in WEPCO's program, however, was its special incentive for nonprofit customers seeking to install renewable energy systems. Every three months, WEPCO would solicit proposals from schools, religious institutions, local governments, nature centers and other nonprofit entities to co-fund new renewable energy systems on their premises. This WEPCO incentive supplemented Focus on Energy grants and cash-back awards. It was designed to overcome the inability of these nonprofit entities to capture federal renewable

energy tax credits to offset their own system acquisition costs. As a result of this unique incentive, there are considerably more renewable energy systems serving nonprofit customers in WEPCO territory than in any other utility territory. This initiative has an educational component to it as well as a renewable energy benefit; WEPCO posts real-time production data from these systems on its web site.

WEPCO was also the first Wisconsin utility to field a large solar initiative which supported a total of one megawatt of solar generating capacity on seven customer rooftops. All told, We Energies' previous support of solar energy, including solar hot water systems, was instrumental in fostering the convergence of a solar industry cluster in southeast Wisconsin, consisting of such companies as Helios USA, Johnson Controls, Caleffi Solar, Hot Water Products and SunVest.

Q. What can the Commission do account for WEPCO's failure to include the costs of this program in its current application?

A. In our view, WEPCO's renewable energy program is an ordered program pursuant to the Commission's decision on the Power the Future CPCN proceeding. WEPCO, itself, has repeatedly represented the program as an ordered program in its filings with the Commission. Regardless, WEPCO is obligated to continue the program and therefore should account for the program in its pending rate application.

Q. Does this complete your direct testimony?

A. Yes.